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Leubuscher, Frederick  
Cyrus

[Letter to  
William Jay Schieffelin...

[S.I.]

[1914]

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Signed: Frederick Cyrus Leubuscher, president.

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Dec. 10, 1939 DA/HSC

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# Society to Lower Rents and Reduce Taxes on Homes

320 Broadway, New York.

February 28th, 1914.

Mr. WM. JAY SCHIEFFELIN, President,  
The Citizens' Union,  
43 Park Row, City.

DEAR SIR:—

The memorandum prepared by the Citizens' Union opposing the halving of the tax rate on buildings and the submission of this question to a referendum, and favoring an "unearned increment tax," is an avowal of contempt for democracy and a plea for privilege. It is full of inaccuracies, and shows why the Citizens' Union is afraid to trust this question to a referendum.

We hope that the press of the city will be fair enough to give as full publicity to our reply as it did to your memorandum.\*

(1) "There should not be a referendum because taxation is one of the economic problems most difficult of solution."

The only fundamental question involved is a moral one; and as the New York World editorially stated last Sunday, regarding this measure: "If the people cannot be trusted—if they cannot trust themselves—to vote on a question so simple and so easily understood, how is democracy to survive for sterner tests?"

(2) "Experts are convinced that house rents will not be lowered by the operation of the Herrick-Schaap bill or similar measures."

Practically all experts agree that rents will be reduced, as it is self-evident they must be, under the operation of the law of supply and demand.

"If buildings were no longer taxed, that would stimulate people to build buildings; but when you slap a tax on buildings, then people are not in a hurry to build them. They have to calculate it all out and see where they are coming out, where they can get the rents to pay interest and taxes. But if buildings were freed from taxes there would be more buildings put up; and the more buildings put up the lower rents would be. I am back to my starting point, that rents of buildings depend on supply and demand; therefore, any system of taxation which stimulates the building of buildings, which multiplies the number of buildings, automatically lowers rents." (Mayor Gaynor's statement at Lower Rents Exhibit, February 17th, 1913.)

Prof. Seligman has admitted this. Experience, moreover, proves it. In Vancouver, B. C., despite the fact that land values there are taxed only about as heavily as they would be here if the tax rate on buildings were half that on land, rents have been reduced about 15%. In Houston, Texas, with the tax rate on buildings about one-third that on land, but

\* The claims of the Citizens' Union are given in order, and identified by quotation marks.

also with a lower tax rate on land than would be the case here under our proposed plan, rents have been reduced from a sixth to a seventh. Home ownership has been increased also.

(3) "Lower rents can now be had in the suburbs, yet the poor people continue to live in the crowded tenement districts."

It is well known that carfare added to the lower rents in the suburbs usually makes the real rents there about as high as in crowded districts. Workers must also exhaust their energies in traveling, if they work in Manhattan. Were factories located in the suburbs, and people moved there in large numbers, rents would, slowly but surely, rise to Manhattan's level.

(4) "Congestion will not be relieved. As experts have conclusively shown, the true remedy for congestion is not in the lowering of the tax on buildings in whole or in part, but in proper attention to the problems of transportation, limitations of the heights of buildings."

Restrictive legislation never lowers rents, however much it lowers the heights of buildings.

The stupidity of confusing a surplus of floor space with an increased congestion is patent. Your admission that there will be a large surplus of housing accommodations, however, refutes the claim that "rents will not be reduced."

(5) "The poor man will not get the benefit of the reduction of the tax on buildings. The owner of the skyscraper, the expensive dwelling house, the big hotels and buildings of a similar kind, will reap the benefit."

This is a mis-statement of fact or an admission of such gross ignorance of facts and economics as to show the Citizens' Union to be unreliable.

Had the halved tax rate on buildings been in operation last year, Manhattan would have paid \$2,852,461 more in taxes, while every other borough would have paid LESS in taxes, as follows: The Bronx, \$201,848; Brooklyn, \$2,544,694; Queens, \$241,623; Richmond, \$156,370.†

The area below Fulton Street would have paid about \$420,000 more, the Astor family about \$250,000 more on their Manhattan holdings alone, Wood, Harmon & Co. about \$60,000 more. Most home owners would have paid from \$15.00 to \$30.00 less, and tenants would have saved about a month's rent.

The taxes on about a half dozen skyscrapers would have been slightly less, but owners of such skyscrapers object to this measure, since they fully understand that their rents will be reduced.

(6) "The effect upon the financial resources of the city will not be beneficial. As economists have pointed out, land values will be decreased by the higher taxes. If, instead of taxing both land and buildings, the city is limited to a tax only upon the land, its net revenue will not be increased."

This statement is directly contrary to all experience.

In 1896, when Vancouver started to untax buildings, the assessed value of land was a little over \$13,000,000; in 1913 it was over \$100,000,000, an increase of about \$87,000,000, or 663%, in seventeen years. In 1896 the assessed value of buildings was a little over \$4,250,000; in 1909 it was over \$24,500,000, an increase of about \$20,000,000, or 470%. Between 1909 and 1913 the value of buildings for which plans were filed was approximately \$60,000,000.

† The slight discrepancy of a fraction per cent. is due to the varying county tax rate.

The increased tax levy upon land, under the proposed change, would be about \$19,500,000.

Under the present system the levy upon land was increased from 1906 to 1913 by \$33,451,834. Despite this increased levy on land during this period:

The assessed value of land increased.....	\$1,223,658,604
The assessed value of buildings increased.....	837,165,390

The total increase in assessed value was..... \$2,060,823,994

There are thousands of properties in Manhattan of which the building is assessed for one-fourth, or less, of the assessed value of the land. Under the stimulus of a higher tax on land, reasonable and adequate improvements would be substituted for these "taxpayers," thus greatly increasing the taxable base of the city.

(7) "The Herrick-Schaap bill and similar legislation will put a greatly increased burden upon the present land owners and force many to sell at a considerable sacrifice. The fact that present owners have purchased upon the basis of a long-established policy in regard to taxation must receive consideration."

This alleged objection shows the animus of the Citizens' Union position,—its desire to perpetuate and conserve vested privilege.

At no time has the state ever guaranteed any given net return of profit to land owners. On the contrary, intelligent states and cities are recognizing the necessity and propriety of a heavier taxation of land values than of buildings.

The important question involved is whether the people have a right to define and regulate property rights and ownership. The Citizens' Union and others who object to the referendum on this question admit that the people would change the present system were they given such opportunity. The objectors to the referendum are merely trying to retain a law obviously contrary to the general desire.

It is refreshing to have the Citizens' Union express its objection, that it would "force many land owners to sell at a considerable sacrifice."

The Citizens' Union does not reflect credit upon its protestations of civic virtue in expressing its willingness to sacrifice the tenants of the city, ground down by high rents due to the profits of land speculators, and its unwillingness to limit the profit of land speculation.

Your advocacy of the so-called "unearned" land increment tax of 1% is an avowal of your endorsement of the principle, "Hitherto shalt thou steal, but no further."

You give three reasons for this land increment tax:

(a) "Such an increment tax will fall on land which has risen in value by no act of the owner, and is thus best able to bear it."

All land has risen in value owing to no act of the owner and maintained owing to no act of the owner.

Take the case cited by you of a plot of land assessed in 1912 for \$110,000. With your proposed 1% land increment tax the owners would have paid, in 1913, the regular tax of \$2,002.00 plus the increment tax of \$2,102.

Had the tax rate on buildings been, however, half that on land, the owners would have paid \$2,475.00 or \$373.00 more than with your proposed land increment tax.

(b) Through the operation of this increment tax "the general

In other words, what the Citizens' Union really wants is to have the city guarantee the profits of land speculation.

The reduction in the tax rate on land will still further encourage the owners of vacant or under-improved land to hold it out of use. If the increase in land value from 1912 to 1913 were \$150,000,000 an increment tax of 1% would yield \$1,500,000. This would reduce the general tax rate about 2c. per \$100.00.

In the case previously cited, a lot assessed for \$110,000 in 1913, representing an increase of \$10,000 over 1912, the regular levy on the land would be \$1,980 at the rate of \$1.80 (\$1.82-2c.) plus the land increment tax of \$100.00, of \$2,080; i. e., the land increment tax would really be only \$78.00. In a few years the reduction of the general rate would be much greater. "Efficiency and economy" will reduce the general tax rate still more, for land speculators' benefit. Land owners will receive double the benefit of a general reduction in the tax rate, as land values constitute about two-thirds of all realty values.

Your clever design to make land speculator Peter pay part of the losses of land speculator Paul may be justice between both gamblers, but leaves out of consideration the sufferers from their speculations, the workers who create and maintain land values.

(c) "Lastly, this is a platform upon which all who are truly interested in the city's welfare can unite."

The Citizens' Union again arrogates to itself omniscience. The voters of the city, however contemptible they may seem to the Citizens' Union except when they are trying to save the people from themselves, are "truly interested in the city's welfare." A referendum is the only way by which they can "unite." If the officers of the Citizens' Union were not afraid of the result they would be willing to trust the people at a referendum.

Sincerely,

FREDERICK CYRUS LEUBUSCHER,

President.



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